



City of Seattle

Greg Nickels, Mayor

Seattle City Employees' Retirement System
Board of Administration

New "Buyback" Opportunities

Several new opportunities to purchase or "buyback" service credit toward retirement have recently been approved. One or more of these opportunities may be available to you as a City Retirement System member, depending on your employment history and your past involvement with the Retirement System.

After careful review, and after considering various requests made by employees, the Retirement Board recommended that several new buyback options be offered. The Board's recommendations became a part of labor negotiations and, with few modifications, were recently approved by labor and management. Legislation was then prepared and brought to City Council and the Mayor. It was recently adopted by Ordinance 120684.

The new buyback options are explained below. You'll find information about all of them, but we suggest that you focus on the details of the buyback(s) that specifically apply to you. You'll eventually need to decide whether you want to exercise a buyback opportunity if one is available to you. If you are interested in purchasing service credit that may be available, please complete the attached form, indicate the buyback(s) for which you believe you are eligible, and mail or fax the form to the Retirement Office at the address or fax number shown on the form. If you have specific questions, please write them on the form.

Since these are new provisions, we anticipate that we'll receive a large number of inquiries here at the Retirement Office over the next few months. This mailing is being sent to over 10,000 Retirement System members. Each buyback must be treated and calculated individually. Our staff will work to respond to all requests as soon as possible and will contact you after reviewing your request, so please be patient. Some delays may be encountered due to the volume of initial requests and the need to compile information about your individual employment history, costs of possible buybacks and other details particular to your situation.

Definitions

Some of the buybacks require the member to pay the "actuarial cost" of the retirement benefit that's being purchased. This means that the member is paying for the full financial value of increased retirement benefits resulting from the buyback of additional service credits. Regular retirement benefits are based on the member's age, years of service (service credits) and salary. The actuarial cost represents how much money is needed in today's dollars to pay for the expected increased benefits that will be received in the future, over a member's lifetime. Actuarial costs are determined by using standard actuarial methods and assumptions adopted by the Retirement Board, and applying them to a member's retirement benefit. The Retirement System's actuarial firm is providing the Retirement Office with these cost factors. For examples of actuarial costs, see page 6.

Some of the buybacks require the member to make a repayment of previously withdrawn member contributions with interest. The interest used to determine the price of the buyback is at the "actuarial assumed rate of investment return, which is currently 8% per year". This rate of interest represents the lost investment income the Retirement System is assumed for actuarial purposes to have been able to earn during the time period the member's contributions were not left with the System. This form of buyback is different than the "actuarial cost" charged for some of the other buybacks and will be less than the full actuarial cost attributable to the additional service credits.

"Service credit" is a term used to describe the amount of credit toward retirement a member accumulates. Service credit is given for the time a member works and pays contributions from his or her salary into the Retirement System, or for time a member acquires by paying for a buyback or redeposit. For example, a full time employee who works for the City and contributes into the Retirement System for 4 years will accumulate 4 years of service credit. An employee who works half time and contributes into the Retirement System for 4 years will accumulate 2 years of service credit.

The following information summarizes provisions of certain City Ordinances and many sections of the Seattle Municipal Code (SMC). For further details please refer to the Ordinances (particularly Ordinance 120684) or Municipal Code, which are available online through the Legislative Research Launch Pad on the City of Seattle Inweb. We've included the new or amended SMC references below.

Purchase of Initial Six Months

Employees hired between January 1, 1988 and December 31, 1998 did not contribute to the Retirement System during their first 6 months of employment, and did not receive credit toward retirement for that time. These employees have never had an opportunity to purchase their first 6 months.

These members will be given a chance to purchase this 6 months of service credit at a point in the future. That point will be after the Retirement Board certifies the "funding ratio" of the retirement fund is 95% or greater. The funding ratio is the percentage that results from dividing the Retirement System's actuarial assets by its actuarial liabilities. The actuarial assets represent the value of the investments and cash the Retirement System holds for funding retirement benefits. The funding ratio is used to determine whether current assets meet current benefit obligations, or actuarial liabilities. We anticipate that it will be at least a year from now before the 95% funding ratio will be reached. However, it could easily take longer. We'll get the word out when this happens. If you're interested in this buyback, please indicate so on the attached request form.

Special One Year Window: For the one year period following December 1 of the year in which the Board certifies the funding ratio is 95% or greater, a member will be allowed to purchase the initial 6 months by paying less than the actuarial cost. The payment will equal current hourly pay rate X current member contribution rate X number of hours to be purchased. Payment can be made in a lump sum or in installment payments at 8% interest spread over 10 years. Partial purchases will be allowed so a member can purchase just part of the initial 6 months. This particular buyback requires the member's employing department to make a matching payment to the Retirement System. SMC 4.36.191 B and C.

A member also will be allowed to purchase the initial 6 months by paying the actuarial cost in a lump sum at the time of resignation from employment, or retirement. SMC 4.36.191A.

Purchase of Time Employed as a Temporary Employee

Employees already have opportunities to purchase service credit for past temporary employment: after working 1,044 hours; after working 10,440 hours; or after becoming a regular employee before reaching 10,440 hours. However, for employees who missed those opportunities, the new buybacks give them another chance to purchase temporary time. They can do this by paying the actuarial cost in a lump sum at the time of resignation from employment, or retirement. SMC 4.36.195 H.

Purchase of Time Employed as an Exempt Employee

Some employees are exempt from the Civil Service System and thus may have decided not to enroll in the Retirement System. Enrollment is optional, and instead of enrolling immediately upon becoming a City employee, some wait until later. When those employees do enroll, they often want to purchase service credit for time worked prior to their decision to enroll. There has not been an opportunity to do this until now.

The new buyback options give these employees an opportunity to purchase exempt time by paying the actuarial cost in a lump sum at the time of resignation or retirement. SMC 4.36.100 F.

Purchase of Military Time

Some military veterans have requested an opportunity to purchase service credit for time spent on active duty in the armed forces. Currently, employees who have a break in their regular City employment to serve in the military can make up their missed time by paying for missed retirement contributions, provided they return to work within 90 days of discharge.

Under the new buybacks, a member will now have a chance to purchase up to 5 years of credit for past active duty in the armed forces, which occurred either prior to City employment or during a break from paid City employment. The employee will pay the actuarial cost in a lump sum at the time of resignation or retirement. SMC 4.36.124.

Redeposits

Employees who terminate their City employment often withdraw their retirement contributions. If they later return to City employment, they frequently want to redeposit their withdrawn contributions and recapture credit for their previous service. They've been allowed to do so if, within 60 days of their rehire date, they redeposit the withdrawn funds plus interest charged at the Retirement System's actuarial assumed rate of investment return, which is currently 8%, from the date of withdrawal to the date of redeposit. This buyback opportunity now has been expanded as follows:

- The requirement of deciding whether to make a redeposit of withdrawals within 60 days after the rehire date has been extended to 2 years after the rehire date. SMC 4.36.190 B.1.
- If an employee misses the 2 year decision period, a redeposit can be made later by returning the withdrawn amount, plus interest charged at the actual annual rates earned by the Retirement System from the date of withdrawal to the date of redeposit. The annual rate, however, cannot be less than the actuarial assumed rate of investment return, which is currently 8%. SMC 4.36.190 B.3.

- Special One Year Window: For current employees who are now more than 2 years beyond their rehire date, there will be a one-time opportunity to redeposit past withdrawals, plus interest charged at the actuarial assumed rate of investment return, which is currently 8%, from the date of withdrawal to the date of redeposit. This one-time window will be open until December 31, 2002. SMC 4.36.190 B.2.

In addition, any of the above redeposits can now be made either in a lump sum or in installment payments at 8% interest spread over 10 years, instead of the 5 years allowed in the past. Partial redeposits will be allowed so a member can purchase just a portion of the retirement credit lost due to the past withdrawal.

Portability Redeposits

This type of redeposit applies to former City employees who withdrew their retirement contributions when they terminated employment, and have gone to work for another governmental employer such as the State of Washington, City of Tacoma, City of Spokane or King County/Metro. Retirement service credit is portable between the City of Seattle and these other entities. Employees sometimes want to redeposit their withdrawn contributions and recapture credit for their past City of Seattle service. They've been allowed to do so if, within 2 years of hire by the portable governmental employer, they redeposit the withdrawn funds plus interest charged at the actuarial assumed rate of investment return, which is currently 8%, from the date of withdrawal to the date of redeposit.

Special One Year Window: For portability redeposits, even if the regular 2 year redeposit period has expired, former employees will now have a one-time buyback opportunity to redeposit past withdrawals, with interest charged at the actuarial assumed rate of investment return, which is currently 8%, from the date of withdrawal to the date of redeposit. This window will be open until December 31, 2002. SMC 4.36.400 C.

After December 31, 2002, if a former employee misses the regular 2 year redeposit period, a redeposit can be made by returning the withdrawn amount, plus interest charged at the actual annual rates earned by the Retirement System from the date of withdrawal to the date of redeposit. The annual rate, however, cannot be less than the actuarial assumed rate of investment return, which is currently 8%. SMC 4.36. 400 D.

Additional Information

If they wish, active employees may transfer funds from eligible deferred compensation plans and traditional individual retirement accounts (IRA's) to pay for buybacks. SMC 4.36.101. These sources of payment were not available in the past for service credit purchases due to federal law, which was recently amended and now allows these transfers. This is only available to current, active employees and the transfer must come from an account owned solely by the employee. It cannot be an account owned jointly, or by anyone other than the employee. Subsequent distribution of the transferred funds will, of course, be subject to IRS regulations. When considering this type of transfer, we urge you to consult your tax advisor to determine any tax consequences.

For buybacks which require the payment of the actuarial cost, the member's Retirement System account will be credited with that portion of the payment equal to: the member's current

hourly rate X the current contribution rate X the number of hours to be purchased. That amount will be available if the member chooses Retirement Option G, which is the retirement option that allows a member to take a lump sum payment at retirement of half or all of his or her contributions. SMC 4.36.190 B.4(b).

For calculation of payments of actuarial costs which are to be made at the time of resignation prior to retirement, the actuarial cost is an estimate using current assumptions. The actual amount will be adjusted at the time of retirement.

For redeposits and portability redeposits, the member's Retirement System account will be credited with that portion of the payment equal to: the amount previously withdrawn plus interest at the actuarial assumed rate of investment return, which is currently 8%. That amount will be available if the member chooses Retirement Option G, which is the retirement option that allows a member to take a lump sum payment at retirement of half or all of his or her contributions. The redeposit payment can be received by the member if the member withdraws contributions prior to retirement, or by a survivor or beneficiary if the member dies while an active employee. SMC 4.36.190 B.3 (b) and (c).

The new buyback opportunities can be used by all members who were City employees on December 1, 2001, even after they terminate employment, as allowed by SMC 4.36.192. Such former employees can exercise the buyback options until December 31, 2002. The one-year window period for purchasing credit for the first 6 months of employment will become available to such employees when the window opens in the future. Lump sum payments will be required for any buyback by a member who was a City employee on December 1, 2001 but has terminated employment.

Please see page 6 for examples of Actuarial Costs

Actuarial Costs

To give you an idea of what the "actuarial cost" will be for those buybacks that require payment of this amount, please see the following examples. The final column shows the amount the employee will need to pay using information in the other columns. For more about actuarial costs, see the "Definitions" section above.

Purchase Occurs at Retirement:

Retirement Age	Service Prior to Purchase (years)	Purchased Service (years)	Monthly Salary	Cost to Member
52	15.0	5.0	\$ 3,000	\$ 45,968
52	15.0	5.0	\$ 4,000	\$ 61,291
55	25.0	2.0	\$ 4,000	\$ 25,441
55	0.0	20.0	\$ 3,000	\$ 143,106
60	0.0	20.0	\$ 4,000	\$ 233,560
60	10.0	10.0	\$ 7,000	\$ 235,019
62	20.0	0.5	\$ 4,000	\$ 5,610
62	15.0	5.0	\$ 6,000	\$ 106,868

Purchase Occurs at Termination (prior to retirement):

Termination Age	Service Prior to Purchase (years)	Purchased Service (years)	Monthly Salary	Cost to Member
45	10.0	15.0	\$ 4,000	\$ 130,546
45	10.0	0.5	\$ 4,000	\$ 1,966

*For service purchases prior to retirement, this is an estimated cost. An adjustment will be made for actual cost at time of retirement.

Buyback or Redeposit Calculation Request

Print your name: _____

Social Security #: _____

Phone #: _____

Anticipated date of retirement or termination of City employment: _____

- ☐ **Redeposit** (funds withdrawn after last period of employment with the City)
- ☐ **Portability Redeposit** (funds withdrawn after last period of employment with the City and currently employed by another government employer in this state in a plan with which we have portability)
- ☐ **Temporary Time** (please indicate time period)
- ☐ **Initial Six Months of Employment** (for those hired 1988 - 1998)
- ☐ **Exempt Time** (please indicate time period)
- ☐ **Military Time** (please indicate time period)
- ☐ **Family Medical Leave** (please indicate time period)
- ☐ **Industrial Injury Time** (please indicate time period)
- ☐ **Other** (please indicate time period and type of time)

Signature _____ Date _____

Seattle City Employees' Retirement System

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